

Message Text

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ACTION XMB-04

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PASS EXIMBANK

E.O. 11652: N/A
TAGS: EAIR, ETRD, EFIN, YO
SUBJECT: JAT TO BUY TWO DC-10-30 JUMBO-JETS INSTEAD OF 747SP

REF: BELGRADE 2107

1. AFTER APPROXIMATELY 30 WORKERS' COUNCIL SESSIONS IN THE PAST 2 MONTHS, JAT REVERSED ITS EARLIER DECISION AND OPTED FOR 2 MC DONNELL-DOUGLAS DC-10-30 JUMBO JETS. ONE IS SCHEDULED FOR DELIVERY IN SPRING 1978 AND THE SECOND IN 1979. THE REASON FOR CHANGE AS STATED BY THE PRESS AND BEOGRADSKA BANKA SOURCES WAS A REDUCED OFFER BY MC DONNELL-DOUGLAS FOLLOWING THE EARLIER JAT DECISION TO BUY BOEING 747SP'S. BEOGRADSKA BANKA SAID THAT EACH DC-10 WOULD COST ABOUT 5 MILLION DOLLARS LESS THAN THE QUOTED PRICE FOR THE 747 SP. LOWER OPERATING COSTS FOR THE DC-10-30 WERE ALSO CITED AS A FACTOR.

2. BEOGRADSKA BANKA AND JAT VISITED THE U.S. IN THE PAST 2 WEEKS TO ARRANGE FINANCING FOR THE JUMBO JETS AND TALKED WITH 26 BANKS. ACCORDING TO BEOGRADSKA BANKA, THE FINANCING WILL BE 15 PERCENT CASH DOWN-PAYMENT BY JAT, 42.5 PERCENT COMMERCIAL BANK FINANCING WITHOUT GUARANTEE, (6 TO 7 PERCENT INTEREST RATE),
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AND 42.5 PERCENT COMMERCIAL BANK FINANCING WITH EXIM GUARANTEE (TOTAL INTEREST AND GUARANTEE RATE IS ABOUT 10 PERCENT). THE LOAN PERIOD WILL BE ONE YEAR OF GRACE AND 10 YEARS OF REPAYMENT WITH THE GUARANTEED PORTION OF THE FINANCING COVERING THE LATTER YEARS.

3. ALTHOUGH BEOGRADSKA BANKA AND JAT APPEAR TO HAVE RECONCILED

THEMSELVES TO THE UNAVAILABILITY OF DIRECT EXIM FINANCING, THEY STILL HOPE FOR A LOWER CHARGE FOR THE EXIM GUARANTEE AND ASKED EMBASSY ASSISTANCE IN OBTAINING IT. IN CONVERSATION WITH EMBOFF, BEOGRADSKA BANKA SAID THAT IT BELIEVED THAT THE GUARANTEE FEE WOULD BE 1 1/2 PERCENT AND THAT THE REASON FOR THE HIGH RATE WAS THE POSSIBILITY OF NO NATIONAL BANK SUPER-GUARANTEE ON THE LOAN. THEREFORE, BEOGRADSKA BANKA WAS WORKING VERY HARD TO GET THE SUPER-GUARANTEE. FINANCE SECRETARY CEMOVIC AND FORMER NATIONAL BANK GOVERNOR COLANOVIC HAVE ORALLY AGREED TO IT, BUT IT NOT BE ISSUED UNTIL EXIM ISSUES ITS PRELIMINARY COMMITMENT. EMBOFF, IN REPLY, STATED THAT IT WAS HIS UNDERSTANDING THAT THE SUPER-GUARANTEE WAS A PREREQUISITE TO ALL EXIM FINANCING AND GUARANTEES IN YUGOSLAVIA. THE PRESENCE OF A SUPER-GUARANTEE WOULD THEREFORE NOT LOWER ANY QUOTED GUARANTEE COST, BUT THE ABSENCE OF THE NATIONAL BANK GUARANTEE WOULD PROBABLY PREVENT THE ISSUANCE OF THE EXIM GUARANTEE.
YORK

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